

House Bill 363

Allow Retired Teachers, Specialists, and Administrators to Return to Work Full Time

Sponsor: Representative Llew Jones

Testimony in Support of HB 363:

**David L. Senn, Executive Director
Teachers' Retirement Board**

In general, a retired teacher who is receiving retirement benefits from TRS is able to return to work in a TRS reportable position only in a part time capacity and earn no more than one-third of their average final compensation without having retirement benefits reduced or discontinued. Subject to the following restrictions, House Bill 363 will allow TRS retirees with 30 or more years of service to be re-employed on a full time basis by a school district without the loss or interruption of TRS retirement benefits.

- The retired member has received benefits for at least two months.
- The position was advertised and the employer was unable to fill it with a qualified non-retired teacher. In addition, the position will be advertised in each future year.
- TRS will continue to collect 17.11% of the salaries of retirees working under this proposal. This is equal to the combined employee and employer contribution rates currently paid to TRS. However, this rate will be paid by the employer; the retiree who returns to work will not make a contribution to TRS.
- Retirees working under this proposal would not have any increase to their benefits due to service or salary while working under this arrangement.
- The maximum number of years a retiree could be reemployed in a full-time position during their lifetime would be three years.
- The proposal includes a sunset date of June 30, 2015.

This bill is necessary because of the shortage of teachers, specialist and administrators in many school districts in Montana. The Teachers' Retirement Board believes that this shortage is at least partially caused by the early retirement provision of the TRS which allows members to retire at any age with as few as 25 years of service. In addition, current shortages are further compounded by the low salary base in many Montana school districts.

In 2003, for similar reasons, the Legislature enacted HB 178, which allowed school districts to employ a retired teacher, specialist, or administrator who had been receiving a retirement allowance for at least 12 months. HB 178 included a sunset date of June 30, 2006. During the three years this rehire provision was in effect, six retired TRS members applied to OPI to return to work in positions paying more than one third of their average final compensation. However, only 3 actually exceeded the maximum they were allowed to earn. Attached is a copy of the final report on HB 178 filed with this committee in 2007.

On the one hand, you could argue that this is an employment problem and not a retirement problem. While this is true, the good news is that with all of the restrictions identified earlier, which are specifically intended to protect the actuarial funding level of TRS and prevent adverse selection against the System, it is unlikely that this proposal will have an adverse impact on the TRS. And it might just help a few school districts find a qualified teacher, specialist, or administrator when they are left with no other option.

There will be a small administrative cost not expected to exceed \$25,000 to modify the TRS wage and contribution reporting and pension administration systems. In addition, school districts will be required to contribute to TRS 17.11% of wages paid to retirees who return to work full time. However, the number of retirees who may be hired into full time positions under this proposal cannot be determined, therefore, it is not possible to calculate what additional costs school districts may incur.

For these reasons, including all the protections built into this proposal to help avoid impacting the actuarial funding of TRS, the Teachers' Retirement Board asked that you support House Bill 363.



— Montana Office of Public Instruction

Linda McCulloch
State Superintendent

February 5, 2007

To: SENATE AND HOUSE STATE ADMINISTRATION COMMITTEES

From: State Superintendent Linda McCulloch *LM*
David Senn, Executive Director, Teachers' Retirement System *DS*

Subject: Report on House Bill 178

House Bill No. 178, introduced by Representative Nancy Fritz, authorized school districts to employ a retired certified teacher, specialist, or administrator who had been receiving a retirement allowance for at least 12 months. Individuals reemployed in a full-time teaching, specialist, or administrator position under this act were allowed to continue to receive teacher retirement benefits. The act required the Office of Public Instruction (OPI) and the Teachers' Retirement System (TRS) report to the appropriate committee in the 2007 legislative session regarding the implementation and results. HB 178 included a sunset date of June 30, 2006.

This legislation created a temporary exception to current law which allows TRS retirees to return to work in a part-time position, and limits the maximum they can earn to the greater of, one-third of their average final compensation (plus CPI inflation), or one-third of the median average final compensation of those members retiring in the preceding fiscal year. Under HB 178, retirees could return to a full-time TRS eligible position with no earning limitations provided the following conditions were met.

- School districts were required to provide evidence to the Office of Public Instruction each year that the employer has been unable to fill the position with a non-retired teacher, specialist or administrator.
- Retirees must have been retired and drawing retirement benefits for at least 12 months.
- Employers were required to continue to contribute 7.47% of the retiree/employee's salary to the Teachers' Retirement System.
- The retiree/employee did not contribute to the Teachers' Retirement System.



During the three years the rehire provisions of the bill were in effect, six retired TRS members applied to OPI to return to work in the following school districts.

<u>School District</u>	<u>Position Filled</u>
Belt Schools	Family Consumer Science 7-12
SD #17-H & 1 Hardin	Elementary Music Teacher
Lavina K-12 School	English
Lincoln K-12 SD #38	8-12 Mathematics
Missoula Area Ed. Coop.	School Psychologist
Outlook SD #29	Guidance, library, P.E. & Industrial Arts

Only three of the retirees applying to return to work under this legislation actually exceeded their maximum allowable earnings limit under current law. The remaining three could have returned to work under current law and did not need to apply under the exceptions created by HB 178.

Return-to-work proposals tend to be expensive because they encourage members to start receiving benefits earlier than normal to supplement the income they receive by continuing to work. However, because of the few number of retirees participating in this program, this legislation had no measurable adverse actuarially impact on the Teachers' Retirement System.

Prepared by:

David L. Senn
Executive Director
Teachers' Retirement System